



Office of Internal Oversight Services  
Internal Audit Division

AUD: UNEP (004/2007)

16 April 2007

TO: Mr. Achim Steiner, Executive Director  
United Nations Environment Programme

FROM: Corazon Chavez, Officer-in-Charge *CH*  
Internal Audit Division, Geneva and Nairobi  
Office of Internal Oversight Services (OIOS)

SUBJECT: Audit of UNEP DELC Project on Issue-Based Modules (IBM) (AA2006/220/06)

1. I am pleased to submit the final report on the audit of UNEP Division of Environmental Law and Conventions (DELC) Project on Issue-Based Modules (IBM), which was conducted in Nairobi, Kenya between August and November 2006, by Mr. Mohamed Robleh. The audit results were discussed with the staff of the audited activities during meetings and exchanges of e-mails which took place between December 2006 and January 2007. A draft of the report was shared with the Deputy Executive Director, and the staff responsible for the audited activity, in February 2007. Their comments, which were received in April 2007, are reflected in the attached final report, in italics.
2. I am pleased to note that the audit recommendations contained in this final report have been accepted. The table in paragraph 52 of the report identifies those recommendations, which require further action to be closed. I wish to draw to your attention that OIOS considers recommendations 1, 2, 3, 5, 7 and 11 as being of critical importance.
3. I would appreciate if you could provide Mr. C. F. Bagot with an update on the status of implementation of the audit recommendations not later than 30 November 2007. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B. In accordance with General Assembly resolution A/RES/59/272, the Secretary-General should ensure that the final audit report in its original version is, upon request, made available to any Member state, who may make it public.
4. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form and return it to me.
5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team.

Attachment: final report and client satisfaction survey form

cc: Mr. J. Childerley, Chief, Oversight Support Unit, Department of Management, United Nations (by e-mail)  
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (by e-mail)  
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**Office of Internal Oversight Services  
Internal Audit Division**

# **Audit Report**

**Audit of UNEP DELC Project on Issue-Based Modules (IBM)  
(AA2006/220/06)**

**Report date: 16 April 2007**

**Auditor: Mohamed Robleh**

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Internal Audit Division**

**Audit of UNEP DELC Project on Issue-Based Modules (IBM)  
(AA2006/220/06)**

**EXECUTIVE SUMMARY**

Between August and November 2006, OIOS conducted an audit of the Issue-Based Modules (IBM) project of UNEP Division of Environmental Law and Conventions (DELIC), at the request of UNEP DELIC management. The audit covered activities with an expenditure of approximately US\$1.1 million over 3 years. Overall, the audit found that the project had been conducted in accordance with current practices for internal UNEP projects, but these practices were in urgent need of strengthening to ensure that projects are properly evaluated at the outset and adequate monitoring takes place to ensure compliance with United Nations and UNEP Regulations and Rules as illustrated further below. OIOS thanks UNEP for the positive response to its report and actions proposed to strengthen project management.

Governance, Mission and Mandate

Adequate arrangements were in place for ensuring that all Member States involved in the project were properly consulted throughout the development and implementation of the project. The project was carried out in accordance with the UNEP mandate and mission.

Organisational structure and functions

The project had an adequate organisational structure, but debriefing and hand-over arrangements in case of changes of management needed to be strengthened to help ensure project effectiveness. Project committees established at the initiative of the project management played a useful steering and oversight role. UNEP should formalize their use by establishing guidelines on their creation, role and operation in the UNEP Project Manual.

Memorandum of Understanding (MoU) and Contribution Agreements

There were weak controls over ensuring compliance with UNEP and United Nations rules on MoUs. All six MoUs signed for this project failed to comply in varying degrees with several provisions of these rules. To improve compliance and accountability, UNEP should create a central database of MoUs and require the responsible Division Director to certify their compliance with the MoU rules.

### Planning

Current arrangements for approval and planning of internal projects executed by UNEP need to be strengthened to provide greater assurance that UNEP resources are being targeted at the highest priority areas. UNEP should formally include risk assessment as part of the planning process and revise the UNEP Project Manual to ensure that internal projects go through the same project scrutiny as external projects and that they have adequate justification. The current mechanism of approving internal projects through the costed workplan with minimal justification does not provide an adequate mechanism for decision-making. The IBM project, originally planned over a three-year period, was subsequently reduced to one year without any explanation, but DELC did not revise its scope and budget in line with the term reduction.

### Monitoring and Reporting

Whilst the project complied with existing arrangements for internal and external monitoring, they needed to be strengthened by establishing project monitoring roles and responsibilities by the different management levels involved in project implementation in order to enhance effective accountability for project delivery.

### Financial Management

The project had adequate financial and budget management practices in place. To ensure further the accuracy of financial statements, UNEP should develop a mechanism to track project expenditures for multi-funded projects.

### Procurement

A review of procurement activity related to this project highlighted a number of weaknesses in the way UNEP currently controls procurement. To correct the weaknesses and ensure value for money, UNEP should: strengthen arrangements in obtaining a waiver from competitive bidding; ensure different UNEP offices involved in procurement are clear on their respective roles; and ensure that outposted offices have enough capability to perform procurement functions and that there are arrangements in place to monitor their procurement activity.

April 2007

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## I. INTRODUCTION

1. Between August and November 2006, OIOS conducted an audit of the Issue-Based Modules (IBM) project of UNEP Division of Environmental Law and Conventions (DELIC), at the request of UNEP DELIC management. This audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The aim of IBM was to support coherent implementation by parties of their obligations under the five biodiversity related conventions (Ramsar Convention on Wetlands (Ramsar), World Heritage Convention (WHC), Convention on International Trade in Endangered Species (CITES), Convention on Migratory Species (CMS)). Four priority crosscutting topics or modules identified as issues of common concern to all five conventions were addressed by the project. Those are: Climate Change (CC), Inland Water (IW), Invasive Alien Species (IAS) and Sustainable Use (SU). At the time of issuing this draft report, IBM was in the final stages of its development, with a planned completion date of end 2006.
3. At the time of the audit, approximately US\$1.1 million had been spent on IBM. The funding mainly came from earmarked contributions from the government of Belgium, the European Commission and the government of Norway.
4. The project started in January 2005 and was implemented as part of the DELIC Costed Workplan for 2004-2005 and 2006-2007. A DELIC project manager was responsible for the day-to-day implementation supported by a Coordination group composed of the representatives of UNEP World Conservation Monitoring Centre (WCMC) and the World Conservation Union (IUCN). In addition, eight member states (Belgium, Norway, Senegal, Morocco, Seychelles, Uganda, Russia and Hungary) were involved as pilot countries, peer reviewers and participants of a Steering Committee. Secretariats of the main biodiversity conventions (CBD, CMS, Ramsar, WHC, CITES) were also part of the Steering Committee.
5. The audit results were discussed with the staff of the audited activities during meetings and exchanges of e-mails which took place between December 2006 and January 2007. A draft of the report was shared with the Deputy Executive Director, and the staff responsible for the audited activity, in February 2007. Their comments, which were received in April 2007, are reflected in the attached final report, in italics. OIOS thanks UNEP for the positive response to its report and actions proposed to strengthen project management.

## II. AUDIT OBJECTIVES

6. The overall objective of the audit was to provide feedback to the Executive Director, UNEP on whether IBM was developed, implemented and managed in accordance with United Nations and UNEP Regulations and Rules This included:
  - (a) Evaluating the adequacy, effectiveness and efficiency of internal controls;
  - (b) Evaluating whether adequate guidance and procedures were in place; and,
  - (c) Determining whether the project was properly managed and executed in accordance with United Nations and UNEP Regulations and Rules, and Administrative Instructions.

### III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered project activities for the period 1 September 2003 to 30 August 2006. It included a review and assessment of internal control systems relevant to the project under audit, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records.

### IV. AUDIT FINDINGS AND RECOMMENDATIONS

#### A. Governance

8. Adequate arrangements were in place for ensuring that all Member States involved in the project were properly consulted throughout the development and implementation of the project.

#### B. Mission and Mandate

9. The project was carried out in accordance with the UNEP mandate, and was supported by Governing Council decisions 17/25, 18/9, 19/19c and 20/18b.

#### C. Organisational Structure and Functions

##### (a) Project management

10. The structure for the implementation of the project and the reporting lines were clear, as were the roles and responsibilities of those involved in the project implementation. However, when changes in management occurred during the life of the project, no debriefing at the management level on key elements of the IBM project was either offered by or requested by any of the parties involved in management changes. This failure meant that incoming management did not have full knowledge of the project history which reduced the effectiveness of their oversight. A recommendation on the need to strengthen arrangements for handover was raised in the OIOS report on the UNEP Secretariat to the Convention on Biological Diversity (SCBD) Information Technology Controls (AA2006/220/05). No additional action is therefore proposed here.

##### (b) Project oversight and accountability

11. The IBM project manager, on her own and with little involvement of DELC management, established the following groups to involve stakeholders in the project development: a Coordination Group, a Steering Committee and a Peer Review process. The various groups had functioned as intended and had provided a useful oversight and steering role to the project. The formation of such groups is essential for accountability and oversight of larger projects and is a best practice that UNEP may emulate. UNEP should include in the UNEP Project Manual guidance on the establishment and operation of such groups to ensure adequate oversight and accountability over projects conducted in-house.

#### **Recommendation:**

- To strengthen project accountability, and to provide an appropriate



mechanism for steering and oversight, UNEP should produce guidelines on when project committees are needed, their nature and type, and the procedures for their establishment and operation (Rec. 01).

12. *UNEP accepted the recommendation and commented that it will be reflected and implemented in the next revision of the project manual.* OIOS notes the response and will close the recommendation upon receipt and review of a copy of the project manual updated to include guidelines on when project committees are needed, their nature and type, and the procedures for their establishment and operation.

#### **D. Memorandum of Understanding (MoU) and Contribution Agreements**

##### (a) Compliance with rules on MoUs

13. UNEP had inadequate arrangements in place for ensuring that MoUs were entered into in accordance with United Nations and UNEP Regulations and Rules. DELC entered into six MoUs and contribution agreements, which to varying degrees did not comply with several provisions of IC/UNON/2002/07 “Guidelines for Memorandum of Understanding (MoU) and Letters of Agreement (LOA)”. Key omissions were failing to comply with rules on advance payments and standard contract clauses such as audit access and title rights. OIOS also noted that one of the implementing agencies sub-contracted part of the activities despite the MoU prohibiting any sub-contracting without the prior written consent of UNEP. OIOS was not provided any documentation supporting that such consent was granted by UNEP. As the project is nearing its completion OIOS is not raising any specific recommendation in respect of the project but is concerned at the overall lack of control within UNEP to detect such errors.

##### **Recommendation:**

- To ensure that UNEP Memorandums of Understanding (MoU) comply with United Nations and UNEP Regulations and Rules and to increase accountability of Division Directors for this compliance, UNEP should make the Programme Co-ordination and Monitoring Unit responsible for the creation of a central database of MoUs. UNEP should also amend the MoU documents to contain a certification by the responsible Division Director that the MoU has been reviewed and certifies that it is in compliance with Regulations and Rules (Rec. 02).

14. *UNEP accepted the recommendation and commented that the responsibilities and accountabilities of Division Directors with regard to MoUs will be addressed by the Working Group on Legal Instruments. Another exercise, also under way, will result in a review and development of an MoU database.* OIOS notes the response and will close the recommendation upon notification of the establishment of a central database of MoUs and receipt of a copy of the report produced by working group on legal instruments addressing the issue of accountability of Division Directors for ensuring that UNEP Memorandums of Understanding (MoU) comply with United Nations and UNEP Regulations and Rules. OIOS reiterates that, in its opinion, this would be best done by Division Directors signing the MoU to indicate that he \ she has reviewed the MoU and certifies that it is in compliance with regulations and rules.

## (b) Guidelines for Agreements

15. The following deficiencies were noted in the current guidelines for agreements, which increase the risk of UNEP entering into Agreements which contain insufficient safeguards to protect its interests:

- (a) No requirement for a legal review;
- (b) No clauses dealing with rights of access to audit the project by OIOS;
- (c) There were no clear guidelines on when to amend an existing agreement and when to create a new one. Consequently, some MoUs were amended to include additional activities while individual MoUs were created for other activities.

16. OIOS had touched upon some of these issues in its audit of International Environmental Technology Centre (AA2005/220/02). No recommendation was raised at the time because UNEP established a committee to look into agreements. OIOS is concerned that no revision or improvement on current guidelines has yet been issued.

### **Recommendation:**

- To strengthen existing arrangements for establishing Agreements, and to ensure that Agreements entered into not only comply with the United Nations and UNEP Regulations and Rules, but also contain sufficient safeguards to minimise the risks of Agreements not being honoured, UNEP, in consultation with UNON and UN-HABITAT, should review and amend existing guidelines to include requirement for legal review, audit access, and guidelines on making amendments (Rec. 03).

17. *UNEP accepted the recommendation and commented that the guidelines for requirements and safeguards for various legal instruments will be developed by the Working Group on Legal Instruments.* OIOS notes the response and will close the recommendation upon receipt of a copy of the report produced by the Working Group on Legal Instruments addressing the strengthening of Agreements by the inclusion of requirements for legal review, audit access and making amendments. OIOS would like to be consulted during the process on the issue of audit access.

## (c) Compliance with donor agreement with Belgium

18. The project was conducted in accordance with the donor agreement, with the following exception. Belgium restricted use of the funds to Developing Countries or global activities with special emphasis on Developing Countries. The nature and objectives of the project indicated that this condition was not met. There was no documentary evidence to support formal agreement with Belgium to any change of project orientation. Nonetheless, the annual progress reports provided to Belgium explained the change in orientation and Belgium did not raise any objections to this re-orientation. In view of this fact, OIOS does not propose any action.

## **E. Planning**

### (a) Project planning

19. The UNEP Project Manual contains planning requirements for projects executed externally (i.e. by another UN agency, government, another organization), which include situation analysis, project feasibility and UNEP logical framework matrix. Whilst the Project Manual listed planning requirements, it did not include a risk assessment. Risk analysis is particularly important for high value pilot projects and its absence increases the likelihood that projects would not maximise returns.

#### **Recommendation:**

- To minimise the chances of project failure and to ensure management is aware of the project risks when approving and monitoring projects, UNEP should consider project risk analysis for large or complex projects. The risk analysis should identify the risks for the project; assess their impact on the project and their likelihood. Formal mitigation plans should also be developed to address each risk. The risk analysis should be monitored regularly to ensure it remains current (Rec. 04).

20. *UNEP accepted the recommendation and commented that while Chapter 2 of the UNEP project manual already discusses feasibility analysis, risk identification and management, it will be reviewed in order to determine how the risks can be better addressed in large or complicated projects.* OIOS thanks UNEP for the clarification and will close the recommendation upon notification of the steps taken to enhance risk assessment of large and complex projects, which include arrangements for regular review and monitoring of the risks throughout the life of complex and large projects.

### (b) Planning requirement for in-house projects

21. The project planning addressed some implementation requirements such as a business case and detailed activities and related timetable and budget for the project. The project management also held consultations with the key stakeholders about the priority modules to develop and pilot countries to involve. However, the project planning was not comprehensive and did not include situation analysis, project feasibility and UNEP logical framework matrix as required by the UNEP Project Manual. The planning did not identify the need for an electronic database, a tool that was later found crucial to the implementation of the project, which significantly delayed the delivery of the project. No specific recommendation is raised as the project is nearing completion.

### (c) Project term

22. DELC was unable to complete the project within the term of one year which was originally planned over a three-year period. There was no documentation explaining the rationale or the basis for the decision to reduce the project term and DELC did not revise the project scope or budget in line with the term reduction. This made the term reduction arbitrary and imposed strong pressure on the project management. In the view of OIOS, this highlights a weakness in the approval process for in-house projects discussed further below.

#### (d) Project approval

23. The IBM project was approved through DELC costed workplan for the biennium 2004-05 and 2006-07. The approval process for internal or in-house projects was weak for the following reasons:

- Currently the Project Manual requires that externally implemented projects be approved through UNEP project approval process and be supported by a comprehensive project document. However, internal projects could be approved as part of the divisional costed workplan only and are merely supported by basic summary information that does not allow adequate scrutiny. The rationale for maintaining two separate mechanisms for approving external and internal projects is not clear.
- Internal projects approved as part of the workplan are not required to have a project charter, including objectives and deliverables, thus making future evaluation of their effectiveness difficult.

#### **Recommendation:**

- To ensure that all UNEP internal projects are supported by project documents and are adequately scrutinised before approval, UNEP management should amend its project approval guidelines and require internal projects to be approved through the project approval process set in the UNEP Project Manual. UNEP could also set guidelines for exceptions which take into account factors such as value, nature and risk (Rec. 05).

24. *UNEP accepted the recommendation and commented that the best approach to planning, execution and monitoring of internal activities/projects will be discussed and agreed amongst the senior management. The results will be reflected in the Project Manual and/or other instructions to staff.* OIOS notes the responses and will close the recommendation upon notification of arrangements for planning, execution and monitoring of internal activities and projects.

### **F. Monitoring and Reporting**

#### (a) Internal Monitoring and Reporting

25. Regular progress updates on IBM were produced and provided to DELC management in accordance with the requirements of the UNEP Project Manual.

#### (b) Accountability

26. The roles and responsibilities for monitoring for the various levels of management are not indicated in the UNEP Project Manual. As a result, OIOS was unable to assess how the different levels of management affecting the IBM project have performed in their roles and responsibilities. The lack of clear roles and responsibilities impedes accountability and effective monitoring.

## **Recommendation:**

- To ensure effective accountability for project delivery, UNEP should review and revise its Project Manual and establish roles and responsibilities for monitoring and reporting of projects for the different level of management levels affecting a project (Rec. 06).

27. *UNEP accepted the recommendation and commented that the primary roles and responsibilities are detailed in Table 1 of the "Chapter 7 Monitoring and Reporting " of the UNEP project manual, which will be reviewed for possible strengthening. OIOS appreciates the clarification and will close the recommendation upon receipt of details of management roles and responsibilities for project monitoring and reporting.*

### (c) External monitoring

28. The Government of Belgium contributed most of the project funding. There was no reporting requirement set by the donor, however annual progress reports were provided.

29. In January 2006, the Government of Belgium requested an evaluation of the project. An evaluation report performed by the project manager was submitted in February 2006. UNEP Evaluation and Oversight Unit (EOU) is charged with the responsibility for conducting, coordinating and overseeing evaluations within UNEP and should have been consulted or involved in the performance of this evaluation since the project manager may not have the required objectivity or expertise. OIOS is concerned that the report may not have met the needs of the donor for a fully independent assessment of the results.

30. UNEP Project Manual requires that projects with a budget of over US\$500,000, such as the IBM project, undergo terminal in-depth evaluations and that the necessary amount for the in-depth evaluation be included in the project budget. The IBM project is nearing its completion by end of 2006; therefore UNEP should undertake a formal evaluation of the project in coordination with UNEP EOU. *UNEP commented that the Evaluation and Oversight Unit would be requested to conduct an evaluation and OIOS does not therefore propose any additional action.*

## **G. Human Resources Management**

### (a) Individual contractor

31. The project manager was initially contracted as an individual contractor for six months (October 2003-March 2004). The following provisions of ST/AI/1999/7 (Consultants and Individual Contractors) were not complied with:

- (a) No verification of credentials, qualifications and experience;
- (b) No medical clearance;
- (c) No basis for the remuneration; and,
- (d) Travel cost was combined with remuneration in violation of section 5.8 of the ST/AI.

32. No further action is proposed in this regard since the consultant has left and UNEP issued revised guidelines on this matter to improve compliance in 2005.

### (b) Training

33. The project manager did not receive any training on relevant United Nations and UNEP Regulations and Rules. OIOS understands from DELC that this is a common problem within UNEP, that there is no training programme for newly recruited project managers. This creates a serious risk of project managers unknowingly breaking the rules, which may expose UNEP to liabilities and wastes.

#### **Recommendation:**

- In order to mitigate any risk of financial loss arising from the project manager's lack of knowledge of United Nations and UNEP Regulations and Rules UNEP should develop procedures covering the minimum training which must be provided to project managers upon taking up post (Rec.07).

34. *UNEP accepted the recommendation and commented that the roles and responsibilities of project managers / substantive staff responsible for overseeing the project implementation will be reviewed as part of the process of moving the fund management officers from UNON to UNEP.* OIOS notes the response and wishes to emphasize that this issue is not related to fund managers, but to the basic training for project managers. OIOS will close the recommendation upon receipt of procedures covering the minimum training which will be provided to project managers upon taking up post.

### (c) Post classification and personnel actions

35. Post classification and personnel actions pertaining to the project manager were consistent with United Nations Regulations and Rules.

## **H. Financial Management**

### (a) Project budget

36. The project budget was properly approved as part of the DELC costed workplan for the biennium 2004-05 and 2006-07. However, during 2006, the project received supplementary funds, namely €15,000 (US\$18,000) contribution made by the Government of Belgium and €50,000 (US\$60,000) from the European Commission, which were not yet reflected in a revised divisional costed workplan at the time of the audit in November 2006. OIOS is not proposing a recommendation in this effect, as DELC is in the process of submitting a revised costed workplan for the biennium 2006-07, taking into account the supplementary funds received by the IBM project during 2006.

### (b) Budget management

37. Adequate budget management practices were in place and the project completed planned activities within its allocated budget.

### (c) Project expenditures

38. According to the statement of expenditures as at 1 September 2006, the project had spent approximately US\$1.1 million. A selective audit sample of 18 transactions amounting to US\$431,000 showed that transactions were committed, approved and disbursed in

accordance with United Nations Financial Regulations and Rules and were consistent with the project activities.

39. Project expenditures were recorded in IMIS by source of funding and not by project. For instance, in the case of the IBM project, project expenditures funded by Belgium, Norway, the European Commission or the UNEP Environment Fund were recorded separately, and a complete statement of expenditures of the project activities was only possible after manual consolidation of the various expenditures by funding source related to the project. This process is prone to error since it needs a comprehensive and accurate list of all sources of funding to a project in order to obtain an accurate statement of project expenditures. Currently, there is no project identifier that allows tracking of all expenses by project. This poses a risk that management may not have an accurate statement of costs for multi-funded projects on which to base decisions.

**Recommendation:**

- To ensure sound project financial management, UNEP should request UNON to develop a mechanism that will allow a consolidated financial reporting of expenses related to projects funded by multiple sources (Rec. 08).

40. *UNEP accepted the recommendation and commented that the project financial management information requirements will be reviewed as part of the overall review of financial management information requirements.* OIOS notes the response and will close the recommendation upon notification of the development of a mechanism that will allow a consolidated financial reporting of expenses related to projects funded by multiple sources.

**I. Procurement**

(a) Waiver of formal methods of solicitation

41. United Nations Financial Rule 105.16 (a) (ix) allows the waiver of formal methods of solicitation when such methods “will not give satisfactory results.” At the time of the audit, the only guidance within UNEP was a requirement to refer the case to UNEP senior management for their consideration, who in turn may seek guidance from UNON procurement. This mechanism is insufficient to ensure a transparent and equitable treatment of requests for a waiver from competitive bidding.

**Recommendation:**

- To ensure transparency and equitable treatment of requests for waiver from competitive bidding, in compliance with United Nations Financial Rule 105.16 (a) (ix), UNEP should develop guidelines explaining the conditions under which a waiver of competitive bidding is justified and the information which should be provided to the UNEP Deputy and Executive Director to support such waiver (Rec. 09).

42. *UNEP accepted the recommendation and commented that the guidelines will be developed jointly with UNON.* OIOS notes the response and will close the recommendation upon receipt and review of guidelines explaining the conditions under which a waiver of

competitive bidding is justified and the information which should be provided to the UNEP Deputy and Executive Director to support such waiver.

#### (b) Procurement arrangement through UNEP ROE/Brussels

43. DELC made arrangements with UNEP Regional Office of Europe (ROE) to assist in the procurement of the database tool required for the implementation of the project and sub-allotted the necessary funds for this purpose to ROE. The procurement was eventually arranged through UNEP Brussels, an outposted office reporting to UNEP ROE. There was no formal documentation explaining the respective roles of UNEP DELC, UNEP ROE and UNEP Brussels in the administration and monitoring of the contract. This lack of clarification contributed to weak contract administration and monitoring. More importantly, there was no guidance within UNEP to assist DELC or ROE on documentation required when a decision was made to share responsibility for a project.

#### **Recommendation:**

- To improve accountability when two units within UNEP collaborate on a project, UNEP should establish guidelines covering the modalities of joint work, and the documentation which needs to be maintained to clarify the roles and responsibilities of all parties involved (Rec. 10).

44. *UNEP accepted the recommendation and commented that this issue will be looked into as part of the review of delegation of authority.* OIOS notes the response and will close the recommendation upon receipt and review of the guidelines covering the modalities of joint work, and the documentation which needs to be maintained to clarify the roles and responsibilities of all parties involved.

#### (c) Compliance with United Nations procurement rules

45. The procurement of a database tool required for the implementation of the project and services for the translation of the modules was not undertaken in accordance with United Nations procurement rules. Whilst there was a proper delegation of authority, OIOS found the following irregularities with the contract:

- UNEP Brussels did not award the contract on the basis of a competitive bidding process, but rather amended an existing contract for software maintenance to include additional tasks required for the database. UNEP Brussels should as a minimum, have sought a competitive waiver since there was a significant difference between the extension and the original contract in terms of the nature and terms and conditions of services requested. Furthermore, UNEP Brussels did not follow proper procedures to amend contracts.
- The contract conditions did not conform to United Nations General Conditions for Contracts.

46. OIOS understands that due to the prototype nature of the project, the project management wanted to have flexible contract terms whereby, end-users and Multilateral Environmental Agreements processes could influence the scope of the work. However, this led to a weak contract which expanded the work beyond the original scope and led to additional payments being incurred.



47. Multiple factors of an organisational nature have contributed to the problem: the project had to be delivered under a tight deadline which put pressure on the project management to procure in an expeditious manner; UNEP Brussels had a delegation to procure whilst having little knowledge of the procurement rules and no resources to adequately segregate conflicting duties in procurement activities; the lack of management monitoring of the contract and its performance; and finally, the project manager had no training on relevant United Nations Regulations and Rules. Recommendations 9, 10, and 11 address these issues.

#### (d) UNEP Brussels procurement delegation

48. While the head of UNEP Brussels had authority to procure the goods, she had received no training or guidance in discharging her responsibilities with respect to procurement and was not aware of the applicable rules. The head of UNEP Brussels was also performing conflicting duties in the procurement activities due to lack of personnel assistance. The lack of segregation of conflicting duties constitutes a serious deficiency of controls over procurement activities performed by UNEP Brussels.

49. UNEP Brussels has recently recruited an administrative assistant who could assist in segregating the procurement duties. Nonetheless, the office has limited personnel resources to adequately and effectively manage procurement activities.

50. There is currently no mandatory training requirement that comes with the delegation of procurement authority. The high level of procurement authority delegated without any analysis or consideration of the appropriate level of authority, given the nature and type of office, and the blanket nature of the delegated authority raises the risk in similarly situated offices which may not be complying with procurement regulations and rules.

#### **Recommendation:**

- To ensure that UNEP offices are only given procurement authority when they have the capability to carry out such procurement actions in accordance with United Nations Rules, UNEP should develop procedures which, as a minimum, cover the following: staffing arrangements, training, responsibility for regular review of the procurement authority and how it has been discharged, and, responsibility for maintenance of a list of offices and authority granted, which should be copied to all UN entities who will assist the office in carrying out the procurement (Rec. 11).

51. *UNEP accepted the recommendation and commented that it will be implemented jointly with UNON.* OIOS notes the response and will close the recommendation upon receipt and review of procedures which, as a minimum, cover the following: staffing arrangements, training, responsibility for regular review of the procurement authority and how it has been discharged, and, responsibility for maintenance of a list of offices and authority granted, which should be copied to all UN entities who will assist the office in carrying out the procurement.

## V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

52. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

Recommendation No.	Action Required
Rec. 01	Receipt and review of a copy of the project manual updated to include guidelines on when project committees are needed, their nature and type, and the procedures for their establishment and operation.
Rec. 02	Notification of the establishment of a central database of MoUs and receipt of a copy of the report produced by the Working Group on Legal Instruments addressing the issue of accountability of Division Directors for ensuring that UNEP Memorandums of Understanding (MoU) comply with United Nations and UNEP Regulations and Rules. OIOS reiterates that, in its opinion, this would be best done by Division Directors signing the MoU to indicate that they have reviewed the MoU and certify that it is in compliance with Regulations and Rules
Rec. 03	Receipt of a copy of the report produced by the working group on legal instruments addressing the strengthening of Agreements by the inclusion of requirements for legal review, audit access and making amendments. OIOS would like to be consulted during the process on the issue of audit access.
Rec. 04	Notification of the steps taken to enhance risk assessment of large and complex projects, which include arrangements for regular review and monitoring of the risks throughout the life of complex and large projects.
Rec. 05	Notification of arrangements for planning, execution and monitoring of internal activities / projects.
Rec. 06	Receipt of details of management roles and responsibilities for project monitoring and reporting.
Rec. 07	Receipt of procedures covering the minimum training which will be provided to project managers upon taking up their posts.
Rec. 08	Notification of the development of a mechanism that will allow a consolidated financial reporting of expenses related to projects funded by multiple sources.
Rec. 09	Receipt and review of guidelines explaining the conditions under which a waiver of competitive bidding is justified and the information which should be provided to UNEP Deputy and Executive Director to support such waiver.
Rec. 10	Receipt and review of the guidelines covering the modalities of joint work, and the documentation which needs to be maintained to clarify the roles and responsibilities of all parties involved.

Rec. 11	Receipt and review of procedures which, as a minimum, cover the following: staffing arrangements, training, responsibility for regular review of the procurement authority and how it has been discharged, and, responsibility for maintenance of a list of offices and authority granted, which should be copied to all UN entities who will assist the office in carrying out the procurement.
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## VI. ACKNOWLEDGEMENT

53. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the management and staff of UNEP and UNON.



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